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1. The Chinese Communist 13 Army is in south Yunnan at Ssumao (sic), P'uho (sic), Hok'ou (103-57; 22-32), and along the Yunnan-Vietnam Railway. The 15 Army is in south Yunnan at Wenshan (104-14; 23-22), Shihp'ing (102-28; 23-42), and along the Kwangsi-Yunnan border. One portion of the 15 Army has entered Vietnam territory to help Ho Chi Minh.
2. The 40 Army, which has entered Yunnan, is a part of HSIAO K'o-ching's (蕭克勤) Army Group numbering about 50,000 men, and has arrived at Tali (100-11; 25-43) in west Yunnan. One division of this Army is responsible for occupying the region between Tali and Kunming; one division the region between Kunming and Hsuanwei (104-06; 26-14); and one division the area along the Chinshachiang, or the upper Yangtse, which includes Yungpei (Yungsheng) (sic), Wuting (102-24; 25-31), Yuanmao (sic), and Chaot'ung (103-42; 27-20).
3. The 14 Army is commanded by LI Ch'eng-fang (李成芳); the 42 Division, under Deputy Commander WANG (王), is responsible for Lichiang (100-15; 26-51), Hoch'ing (sic), Chiench'uan (sic), and Yenching (104-14; 28-04). The 41 Division under Deputy Commander YU (余) has been moved from central Yunnan (Ch'uhshung) to Shunning, and is disposed at Ch'angning (104-54; 28-18), Chenk'ang (99-25; 24-07), Shuangchiang (99-50; 23-28), and Kengma (99-25; 23-33). The 40 Division under CH'A Yu-sheng (查玉昇) is responsible for the area along the great highway from Paoshan (99-09; 25-07) to Wanting (97-55; 24-00). Mengmao (97-52; 24-02) has one battalion, or 1,000 men; Lungch'uan (97-55; 24-20) and Changfeng (97-49; 24-11) each have a unit of 300 or more; Wanting has a unit of more than 100. At Shant'ou, two miles from Wanting, are 700 men who are a portion of the 122 Regiment at Ch'efang (98-18; 24-15). At Mangshih (98-35; 24-27) there is one battalion. Along the China-Burma border from Malipa (98-46; 23-40) to Wanting, the 121 Regiment is stationed in defensive positions. In the hills behind Wanting are three artillery positions with ramparts and communication trenches. The 120 Regiment is responsible for Paoshan to Lungling (98-42; 24-34).

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4. The area from Paoshan to Hsiakuan (100-12; 25-34) is in charge of the new 2 Brigade of the border command, with more than 5,000 men. The 2 Brigade is at Te'ngch'ung (98-29; 25-01) with more than 5,000 men charged with the defense of the China-Burma border. At Husa (97-55; 24-29) and Lasa (97-50; 24-28) is a battalion with more than 500 men; at Manyun (97-46; 24-32) and T'ai-p'ingch'ieh (97-52; 24-40) one battalion of 500 or more men; at Hsima (97-47; 24-45) and Chanta (sic), one battalion of 500 or more men. At Wenchiang is a portion of a regiment. Chanshi (98-08; 25-04), Kuyung (98-18; 25-20), and Mienching (sic) each have one battalion; Kutung (98-28; 25-23), Yingp'anch'ieh (98-33; 25-37), one battalion; along the foothills of Kaolikung Mountain, Ch'iaot'ou (108-38; 26-56), Chieht'ou (98-38; 25-25), Chiangchu (109-36; 22-10), one battalion, more than 500 men. From T'engch'ung to Lungling is one regiment. The new 1 and 2 Brigades are the former forces of LU Han (盧漢) in Yunnan. Each regiment does not exceed 2,000 men. In the 14 Army of LI Ch'eng-fang (李成芳), each regiment has at least 3,000 men.
5. The 3,000 pounds of opium recently brought by the Communists to Malipa has been entirely disposed of to Li-ch'ang. Li-ch'ang also agreed to sell needed supplies to the Communists. Communist armed troops are constantly passing through Malipa. The local Government pays no attention as Malipa is in Burma.
6. LI San-pao (李三保), a Chinese from Hunan, smuggles for the Communists. Most of the men of NAW SENG, a Burmese Communist, have returned to Burma as previously reported. The men of Thakin THAN TUN are being trained at Mangshih, and the cadres at Paoshan.
7. In October 46 jeeps from across the border arrived in Kyuhkok (98-04; 24-04) for sale. Of 6 small jeeps the Hui-li Company sent, 3 went to Kunming, TU Tsung-yuan of Lashio sent two; the ownership of the sixth is not known.
8. Cotton brought to Kunming is 125 units by Hsin-chi, 750 by Hui-li. There are now still 250 units stopping at Mongyu. The Hui-li is using its men to move these units across the boundary to Kunming. A man from Fukien, CHANG Cho-ch'in (張卓欽), brought more than 100 sets of tires on 30 October from Lashio to Kyuhkok.
9. According to news from Bhamo, the Hsin-chi and other firms, because war materials cannot be smuggled through Kyuhkok are now shipping them via Bhamo. More than 200 sets of tires have been brought to Paoshan by pack-animal via Manyun and T'engch'ung, or by truck via Mangshih.
10. Mengmao has more than 200 of NAW SENG's men, among them more than 10 Communist Chinese cadres, preparing to enter Burma.
11. The vanguard of General LIN's Fourth Field Army has arrived in Tali of West Yunnan, and Commander of Army LI's body of troops has moved to Paoshan.
12. About 2,000 men of General LIN Piao's Fourth Field Army have arrived in Tali. A portion of LI Ch'eng-fang's army has moved to Paoshan; a portion of CH' A Yu-sheng's division has moved to Lungling.
13. Mangshih has added a battalion, and Mengmao 500 or more men. Panhung (sic), Kengma, and Chenk'ang have added more than 1,000 men.
14. Chinese Communist Army men in bands of 30-50, constantly bring arms to Malipa to cause disorder on the pretext of arresting guerrillas.
15. More than 100 of Thakin THAN TUN's men came to Mengmao on 13 November. Already more than 300 of his men have come into China and are gathered at Mangshih.
16. On 14 and 15 November a large number of jeeps was sent to Khuhkok for sale.

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17. Conditions around Muse are disturbed because a group of bandits in Kyuhkok and Muse (97-54; 24-00) are blackmailing merchants, so that those who have money have run away from these places. Burmese officials do not interfere with this practice.
18. The Burmese officials of the Kyuhkok district have been withdrawn, and the Burmese Government appears to have relinquished authority over Kyuhkok. Everything in Kyuhkok is now controlled by the Ta Hung Shan Society. This Society has two factions: one rightist, the old coolie business firm, one leftist, the new coolie business firm.
19. The South China Office (sic) is the central underground agency for all the bodies of troops. It has one officer, CHU Ch'uan-ken (朱全根) on the second floor of No. 65 Third Road, Rangoon; in Mandalay it is LIN Fei (林飛) who lives on 80th Street.
20. It is necessary that the Burmese authorities station a garrison at Kyuhkok, because if Kyuhkok is lost, neither Muse nor Mongyu can be controlled.
21. More than 200 of Thakin THAN TUN's men are at Mangshih undergoing training. A report from Malipa is that more than 100 men of the Chinese Communist Army came fully armed to Malipa, and then left.
22. More than 100 men of the Chinese Communist Army escorted 15 mule-loads of silver dollars and 30 loads of opium to Malipa. In addition, 1,000 pounds of opium were turned over to the Li-ch'ang Company in Hsiao-hungyai (sic) for which the Li-ch'ang Company gave bolts of cloth and war supplies in exchange. Malipa is controlled by a tribal chief under the Burma Government.
23. Smugglers of war supplies in Lashio are: LIU Chen-tung (劉振東), CHU Chia-yin (朱家寅), FENG Pai-ch'uan (馮百川), CHANG Shih-chung (張適中), and CH'EN Kuang-yuan (陳光遠) all of whom have been decorated by the Chinese Communist Government. CHANG Shih-chung now wants to go to Rangoon on the way to India.
24. Recently there has been less smuggling of war supplies on the Burma-China border. Lately the Chinese Communists have been working through the Li-ch'ang Company. The Communists send opium to Malipa and the Li-ch'ang Company exchanges war supplies and cloth for it. Armed Chinese Communist troops enter or leave Malipa at will.
25. Word from Bhamo is that Kyuhkok is blockaded and that neither merchants or goods can come in or out. Consequently, gasoline and tires have been transported to Bhamo by pack-animals via Manyun and Mangshih; or via T'engch'ung and Paoshan.
26. The Ch'efang garrison has been increased by 4,000 men. One thousand men have arrived at Mengmao and Lungch'uan. One thousand men are two miles from Wanting. It is said that all these units were formed from west Yunnan militia.
27. Trade conditions around Kyuhkok and Muse have improved, but in Kyuhkok the strength of the Ta Hung Shan Leftists has increased. They have 20 carbines and 30 small arms.
28. On 29 October more than 100 sets of tires were transported from Mandalay to Kyuhkok. They belonged to the Fukienese CHANG Cho-ch'in. CHANG now lives in Rangoon. At Mongyu the Hui-li Company has stored 250 units of cotton, now beginning to be cautiously smuggled. At Bhamo the Hsin-chi and other merchants are smuggling war materials into China.

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29. Near Malipa there is a battalion of about 1,000 men who move about freely.
30. The headquarters of 41 Division are at Shunning (99-54; 24-35); except for a portion of 40 Division which is at Kengma, the others are deployed from Paoshan to Wanting, Mengmao, and Lungch'uan. Around the last-named points 3,000 men have been seen. A new census is being taken at Wanting.
31. The 120 Regiment was moved on 5 November from Paoshan to Mengmao, to increase the defense of Lungch'uan, Hsima, and Yangjenchieh area. All these are on the China-Burma border.
32. NAW SENG has now more than 200 men who arrived at Mengmao, wishing to enter Burma. In September and October more than 300 of NAW SENG's men entered Burma, bringing his total force to nearly 600 men, among them are some Chinese Communist soldiers.
33. In the Bhamo and Myitkyina areas, Chinese Communist underground forces are very numerous. Those in Bhamo go constantly to Shwegu for liaison with Burmese Communists. Those in Myitkyina often move along the railway to link up with Burma Communist Party and Communist Party (Burma) forces.
34. CHANG Shih-chung in Lashio, obeying a Chinese Communist directive, is recruiting Chinese young women abroad to go to China for service.

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